



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155  
<http://www.blm.gov>



IN REPLY REFER TO:  
3160 – UTU88206X  
(UT-922)

FEB 14 2011

Board of Oil, Gas and Mining  
P.O. Box 145801  
Salt Lake City, UT 84114-5801

**FILED**

FEB 16 2011

SECRETARY, BOARD OF  
OIL, GAS & MINING

Re: Docket 2011-004 Cause No. 271-01

Gentlemen:

Transmitted herewith is the Bureau of Land Management's February 11, 2011, designation of the Horse Unit Area as logically subject to operations under unitization provisions of the Mineral Leasing Act.

We have also enclosed the form of unit agreement and Exhibits "A", "B", "C" and "D" that were found acceptable in our designation letter.

Please be advised that pursuant to section 20 of the proposed unit agreement, the effective date of the agreement is 7:00 a.m. the first day of the calendar month following approval of the agreement by the Secretary of the Interior or his duly authorized delegate.

If you should have any questions regarding this letter, please contact Michael Coulthard of this office at (801) 539-4042.

Sincerely,

Roger L. Bankert  
Chief, Branch of Minerals

Enclosures

cc: QEP Energy Company  
1050 17<sup>th</sup> Street, Suite 500  
Denver, CO 80265  
Attn: Nathan C. Koeniger



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155  
<http://www.blm.gov/ut/st/en.html>



IN REPLY REFER TO:  
3180 (UTU88206X)  
UT-922

FEB 11 2011

Nathan C. Koeniger  
QEP Energy Company  
1050 17<sup>th</sup> Street, Suite 500  
Denver, Colorado 80265

Dear Mr. Koeniger;

Your application of January 28, 2011, and February 3, 2011, filed with the Bureau of Land Management, Branch of Minerals, Salt Lake City, Utah, requests the designation of the Horse Secondary Recovery Unit, embracing 731.75 acres in Uintah County, Utah, as logically subject to operations under unitization provisions of the Mineral Leasing Act, as amended, and acceptance of the proposed form of unit agreement.

Pursuant to unit plan regulations 43 CFR 3105, the land requested as outlined on your plat marked "Exhibit "A", Horse Secondary Recovery Unit", Contract No. UTU88206X is acceptable as a logical unit area for the purpose of secondary recovery operations.

The form of unit agreement and Exhibits "A", "B", "C" and "D" as submitted with your application are acceptable. In the absence of any objections not now apparent, a duly executed agreement, identical with said form, will be approved if submitted in approvable status within a reasonable period of time.

Sincerely,

Roger L. Bankert  
Chief, Branch of Minerals

cc: UDOGM  
SITLA  
BLM FOM - Vernal w/enclosures

BOARD OF OIL GAS & Mining

1 UNIT AGREEMENT AND PLAN OF UNITIZATION  
2 FOR THE DEVELOPMENT AND OPERATION  
3 OF THE HORSE SECONDARY RECOVERY UNIT AREA  
4

5 UINTAH COUNTY  
6

7 STATE OF UTAH  
8  
9

10  
11 TABLE OF CONTENTS  
12

13 SECTION	Page
14 Preliminary Recitals .....	15 1
16 1 Enabling Act and Regulations .....	17 2
18 2 Unit Area .....	19 2
20 3 Expansion of Unit Area .....	21 2
22 4 Unitized Land and Unitized Substances .....	23 3
24 5 Unit Operator .....	25 4
26 6 Tracts Qualified for Participation .....	27 4
28 7 Resignation or Removal of Unit Operator .....	29 5
30 8 Successor Unit Operator .....	31 6
32 9 Accounting Provisions and Unit Operating Agreement .....	33 6
34 10 Rights and Obligations of Unit Operator .....	35 7
36 11 Plan of Operation .....	37 7
38 12 Participation and Allocation of Production .....	39 8
40 13 Royalty Settlement .....	41 9
42 14 Rental Settlement .....	43 11
44 15 Conservation .....	45 11
46 16 Drainage .....	47 11
48 17 Gauge of Merchantable Oil .....	49 11
50	
51	

TABLE OF CONTENTS con't

SECTION	Page
18 Leases and Contracts Conformed and Extended.....	11
19 Covenants Run With Land.....	12
20 Effective Date .....	13
21 Term.....	13
22 Termination by Working Interest Owner.....	13
23 Rate of Prospecting, Development and Production.....	14
24 Appearances .....	14
25 Notices .....	14
26 No Waiver of Certain Rights .....	14
27 Unavoidable Delay.....	15
28 Non-Discrimination. ....	15
29 Loss of Title .....	15
30 Subsequent Joinder.....	16
31 Counterparts.....	16
32 Royalty Owner's Taxes .....	17
33 No Partnership.....	17
34 Border Agreements.....	17
35 Corrections of Errors.....	17
36 Special Surface Stipulations .....	17
37 Utah State Land Provisions .....	18
Exhibit "A"      Map of Unit Area	
Exhibit "B"      Schedule of Ownership	
Exhibit "C"      Tract Participation	
Exhibit "D"      Percentage of Working Interest Owners Participation	

1 UNIT AGREEMENT AND PLAN OF UNITIZATION  
2 FOR THE DEVELOPMENT AND OPERATION  
3 OF THE HORSE SECONDARY RECOVERY UNIT AREA  
4

5 UINTAH COUNTY  
6

7 STATE OF UTAH  
8

9 THIS AGREEMENT, entered into as of the 1<sup>st</sup> day of March, 2011, by and between the  
10 parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties  
11 hereto",

12 WITNESSETH:

13 WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas  
14 interests in the Unit Area subject to this Unit Agreement; and

15 WHEREAS, the term "Working Interest" as used herein shall mean the interest held in  
16 Unitized Substances or in lands containing Unitized Substances by virtue of a lease operating  
17 agreement, fee title, or otherwise, which is chargeable with and obligated to pay or bear all or a  
18 portion of the costs of drilling, developing, producing, and operating the land under the unit or  
19 cooperative agreement. "Royalty Interest" as used herein shall mean a right to or interest in any  
20 portion of the Unitized Substances or proceeds thereof other than a Working Interest. The  
21 Owner of oil and gas rights that are free of lease or other instrument conveying the working  
22 interest rights to another shall be regarded as a Working Interest Owner to the extent of a  
23 seven-eighths (7/8ths) interest in and to such oil and gas rights, and as a Royalty Interest  
24 Owner to the extent of the remaining one-eighth (1/8th) interest therein; and

25 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended,  
26 30 U.S.C. Sec. 181 et seq., authorizes Federal lessees and their representatives to unite with  
27 each other, or jointly or separately with others, in collectively adopting and operating under a  
28 cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or  
29 any part thereof, for the purpose more properly conserving the natural resources thereof  
30 whenever determined and certified by the  
31 Secretary of the Interior of the United States, hereinafter referred to as "Secretary", to be  
32 necessary or advisable in the public interest; and

33 WHEREAS, Sections 40-6-7 and 40-6-8, *Utah Code Annotated*, empowers the Board of  
34 Oil, Gas and Mining of the State of Utah, hereinafter referred to as the "Board," upon  
35 application, to determine the need for and make orders providing for the operation as a unit of  
36 one or more pools, or parts thereof, in a field after approval of seventy percent (70%) of the  
37 parties involved, which said order shall be binding on all parties in said Unit Area; and

1 WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent  
2 waste, and secure other benefits obtainable through development and operation of the area  
3 subject to this Unit Agreement under the terms, conditions, and limitations herein set forth:

4 NOW, THEREFORE, in consideration of the premises and the promises herein  
5 contained, the parties hereto commit to this Unit Agreement their respective interests in the  
6 below-defined Unit Area, and agree severally among themselves as follows:

7 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25,  
8 1920, as amended, supra, and all valid, pertinent regulations, including operating and unit plan  
9 regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations  
10 hereafter issued thereunder are accepted and made a part of this Unit Agreement as to Federal  
11 lands, provided such regulations are not inconsistent with the terms of this Unit Agreement; and  
12 as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date  
13 hereof governing drilling and producing operations, not inconsistent with the terms hereof or the  
14 laws of the State of Utah, are hereby accepted and made a part of this Unit Agreement.

15 2. UNIT AREA. The area specified on the plat attached hereto marked Exhibit "A" is  
16 hereby designated and recognized as constituting the Unit Area, containing 731.75 acres, more  
17 or less.

18 Exhibit "A" shows, in addition to the boundary of the Unit Area, the boundaries and  
19 identity of tracts and leases in said Area to the extent known to the Unit Operator. Exhibit "B"  
20 attached hereto is a schedule showing to the extent known to the Unit Operator the acreage,  
21 percentage and kind of ownership of oil and gas interests in all land in the Unit Area. Exhibit "C"  
22 attached hereto is a schedule showing the percentage of participation credited to each Tract in  
23 the Unit Area based upon a presumed one hundred percent (100%) commitment. (Tract means  
24 each parcel of land described as such and given a tract number in Exhibit "B".) However,  
25 nothing herein or in said schedule or map shall be construed as a representation by any party  
26 as to the ownership of any interest other than such interest or interests as are shown in said  
27 map or schedule owned by such party. Exhibits "A" and "B" shall be revised by the Unit  
28 Operator whenever changes in the Unit Area render such a revision necessary, or when  
29 requested by the Authorized Officer of the Bureau of Land Management, hereinafter referred to  
30 as "A.O." or by the Board. In such case, not less than six (6) copies of the revised Exhibits shall  
31 be filed with the A.O.

32 3. EXPANSION OF UNIT AREA. Any enlargement of the Unit Area shall require  
33 approval by the A.O. of the Bureau of Land Management. The Unit Area may, with the approval  
34 of the A.O., be expanded to include therein any additional lands whenever such expansion is  
35 necessary or advisable to conform with the purposes of this Unit Agreement. Subject to such

1 approval of the A.O., any such expansion may be accomplished either (1) by order of the Board  
2 in accordance with the Utah Oil and Gas Conservation Act 40-6-1 et. seq. Utah Code Annotated  
3 or (2) pursuant to agreement fixing the tract participation of each tract added by such expansion  
4 and providing for the commitment of the interests of the owner, thereof to this Unit Agreement,  
5 and, if applicable, to the Unit Operating Agreement, and negotiated with such owners by the  
6 Unit Operator acting on behalf of the Working Interest Owners collectively after being duly  
7 authorized by them as provided in the Unit Operating Agreement. Whenever the Unit Area is  
8 enlarged so as to admit additional land qualified for participation, Exhibit "C" shall be revised as  
9 set forth in Section 12, "Participation and Allocation of Production". Any such expansion shall be  
10 effected in the following manner:

11 (a) Unit Operator, on its own motion, (after preliminary concurrence by the A.O.),  
12 shall prepare a notice of proposed expansion describing the contemplated changes in the  
13 boundaries of the Unit Area, the reasons therefore, and the proposed effective date thereof,  
14 preferably the first day of the month subsequent to the date of notice.

15 (b) Said notice shall be delivered to the appropriate Bureau of Land Management  
16 office, and copies thereof mailed to the last known address of each Working Interest Owner,  
17 Lessee, and Lessor whose interests are affected, advising that thirty (30) days will be allowed  
18 for submission to the Unit Operator of any objections.

19 (c) Upon expiration of the thirty (30) day period provided in the preceding item (b)  
20 hereof, Unit Operator shall file with the A.O. evidence of mailing of the notice of expansion and  
21 a copy of any objections thereto which have been filed with the Unit Operator, together with an  
22 application and appropriate joinder in sufficient number, for approval of such expansion.

23 (d) After due consideration of all pertinent information, the expansion shall, upon  
24 approval by the A.O., become effective as of the date prescribed in the notice thereof.

25 4. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this Unit  
26 Agreement as provided in Section 5, "Tracts Qualified for Participation", as to the Unitized  
27 Formation defined immediately below, shall constitute land referred to herein as "Unitized Land"  
28 or "land subject to this Unit Agreement". All oil and gas in and produced from the Unitized  
29 Formation is unitized under the terms of this Unit Agreement and herein is called "Unitized  
30 Substances".

31 **The "Unitized Formation" shall mean the lower Green River formation defined as**  
32 **the stratigraphic interval equivalent to those depths between 5304' and 6080' measured**  
33 **depth in open hole logs from the WV 11G5-8-22 well, located in the NESW of Section 5,**  
34 **in Township 8 South, Range 22 East, SLB&M, Uintah County, Utah.**  
35

1           5. UNIT OPERATOR. QEP Energy Company is hereby designated as Unit Operator,  
2 and by signature hereto as Unit Operator agrees and consents to accept the duties and  
3 obligations of Unit Operator for the development and production of Unitized Substances as  
4 herein provided. Whenever reference is made herein to the Unit Operator, such reference  
5 means the Unit Operator acting in that capacity and not as an owner of interest in Unitized  
6 Substances, and the term "Working Interest Owner" when used herein shall include or refer to  
7 Unit Operator as the owner of a Working Interest when such an interest is owned by it.

8           6. TRACTS QUALIFIED FOR PARTICIPATION. Inasmuch as the objective of this Unit  
9 Agreement is to have lands in the Unit Area operated and entitled to participation under the  
10 terms hereof, no joinder shall be considered a commitment to this Unit Agreement unless the  
11 Tract involved is qualified under this Section. On or after the effective date hereof, the Tracts  
12 within the Unit area which, in absence of an involuntary pooling order issued by the Board shall  
13 be entitled to participation in the production of Unitized Substances therefrom shall be those  
14 Tracts within the Unit Area more particularly described in Exhibit "B" that are qualified as follows  
15 (for the purpose of this section, the record interest shall replace the royalty interest as to Federal  
16 Land):

17                   (a) Each Tract as to which Working Interest Owners owning one hundred percent  
18 (100%) of the Working Interest have signed or ratified this Unit Agreement and the Unit  
19 Operating Agreement and Royalty Owners owning **seventy percent (70%)** or more of the  
20 royalty interest created by the basic leases have signed or ratified this Unit Agreement:

21                   (b) Each Tract as to which Working Interest Owners owning one hundred percent  
22 (100%) of the Working Interests have signed or ratified this Unit Agreement and the Unit  
23 Operating Agreement, and Royalty Owners owning less than **seventy percent (70%)** of the  
24 royalty interests created by the basic leases have signed or ratified this Unit Agreement, and as  
25 to which (1) all Working Interest Owners in such Tract join in a request for inclusion of such  
26 Tract in Unit participation upon the basis of such commitment status, and further as to which (2)  
27 seventy-five percent (75%) or more of the combined voting interests of Working Interest Owners  
28 in all Tracts which meet the requirements of Subsection 5(a) vote in favor of the acceptance of  
29 such Tract as qualified. For the purpose of this Subsection 5(b), the voting interest of each  
30 Working Interest Owner shall be equal to the ratio (expressed in percentage) which the total of  
31 such Working Interest Owner's percentage participating in all Tracts which qualify under  
32 Subsection 5(a), bears to the total percentage participation of all Working Interest Owners in all  
33 Tracts which qualify under said Subsection 5(a), as such percentages are shown on Exhibit "C";

34                   (c) Each Tract as to which Working Interest Owners owning less than one  
35 hundred percent (100%) of the Working Interest have signed or ratified this Unit Agreement and



1 the Unit Operating Agreement, regardless of the percentage of royalty interest therein that is  
2 committed hereto, and as to which (1) the Working Interest Owner who operates the Tract and  
3 all of the other subscribing Working Interest Owners in such Tract have joined in a request for  
4 inclusion of such Tract in Unit participation upon the basis of such commitment status and have  
5 tendered and executed and delivered an indemnity agreement, indemnifying and agreeing to  
6 hold the Owners of the Working Interests in the other Qualified Tracts harmless from and  
7 against any and all claims and demands that may be made by the nonsubscribing Working  
8 Interest Owners in such Tract on account of the inclusion of the same in Unit participation, and  
9 further as to which (2) seventy-five percent (75%) or more of the combined voting interests of  
10 the Working Interest Owners in all Tracts which meet the requirements of Subsection 5(a) and  
11 5(b) above, vote in favor of the inclusion of such Tract. For the purpose of this Subsection 5(c),  
12 the voting interest of each Working Interest Owner shall be equal to the ratio (expressed in  
13 percentage) which the total of such Working Interest Owner's percentage participation attributed  
14 to Tracts which qualify under Subsections 5(a) and 5(b) bears to the total percentage of all  
15 Working Interest Owners attributed to all Tracts which qualify under Subsections 5(a) and 5(b),  
16 as such percentages are set out in Exhibit "C."

17 Notwithstanding anything in this Section to the contrary, all tracts other than unleased  
18 Federal lands within the Unit Area shall be deemed to be qualified for participation if this Unit  
19 Agreement and the Unit Operating Agreement are duly approved as the Plan of Unitization and  
20 Operating Plan by order of Sections 40-6-7 and 40-6-8, *Utah Code Annotated*.

21 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the  
22 right to resign at any time, but such resignation shall not become effective so as to release Unit  
23 Operator from the duties and obligations of Unit Operator and terminate that Unit Operator's  
24 rights as such for a period of six (6) months after notice of intention to resign has been served  
25 by Unit Operator on all Working Interest Owners and the A.O., and until all wells are placed in a  
26 satisfactory condition for suspension or abandonment, whichever is required by the A.O., unless  
27 a new Unit Operator shall have been selected and accepted and shall have taken over and shall  
28 have assumed obligations of Unit Operator prior to the expiration of said period.

29 The resignation of Unit Operator shall not release the Unit Operator from any liability for  
30 default by it hereunder occurring prior the effective date of its resignation.

31 The Unit Operator may, upon default or failure in the performance of its duties or  
32 obligations hereunder, be subject to removal by an affirmative vote of the Working Interest  
33 Owners of at least ninety percent (90%) of the voting interest remaining after excluding the  
34 voting interest of the Unit Operator. Such removal shall be effective upon notice thereof to the  
35 A.O. In all such instances of resignation or removal, until a successor Unit Operator is selected

1 and accepted as hereinafter provided, the Working Interest Owners shall be jointly responsible  
2 for the performance of the duties of Unit Operator, and shall not later than thirty (30) days before  
3 such resignation or removal becomes effective appoint a common agent to represent them in  
4 any action to be taken hereunder.

5 The resignation or removal of Unit Operator under this Unit Agreement shall not  
6 terminate its right, title, or interest as the owner of Working Interest or other interest in Unitized  
7 Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit  
8 Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in  
9 conducting the Unit Operations and owned by the Working Interest Owners to the new duly  
10 qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is  
11 selected, to be used for the purpose of conducting Unit Operations hereunder. Nothing herein  
12 shall be construed as authorizing removal of any material, equipment and appurtenances  
13 needed for the preservation of any wells.

14 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its  
15 resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit  
16 Operator is negotiated by the Working Interest Owners, a successor Unit Operator shall be  
17 selected by Working Interest Owners voting according to their respective Tract participation in  
18 all unitized land by a majority vote; provided, that, if a majority but less than seventy-five percent  
19 (75%) of the Working Interests qualified to vote are owned by one party to this Unit Agreement,  
20 a concurring vote of one or more additional Working Interest Owners shall be required to select  
21 a new Unit Operator. Such selection shall not become effective until:

22 (a) A Unit Operator so selected shall accept in writing the duties and  
23 responsibilities of Unit Operator, and

24 (b) The selection shall have been approved by the A.O.  
25 If no successor Unit Operator is selected and qualified as herein provided, the A.O. at his  
26 election may declare this Unit Agreement terminated.

27 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit  
28 Operator is not the sole owner of Working Interests, costs and expenses incurred by Unit  
29 Operator in conducting Unit Operations hereunder shall be paid and apportioned among and  
30 borne by the owners of Working Interests, all in accordance with the agreement or agreements,  
31 whether one or more, separately or collectively, entered into by and between the Unit Operator  
32 and the owners of Working Interests. Any agreement or agreements, whether one or more,  
33 entered into between the Working Interest Owners and the Unit Operator as provided in this  
34 Section are hereinafter referred to as the "Unit Operating Agreement".

Such Unit Operating Agreement shall also set forth such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement this Unit Agreement shall prevail. Three (3) true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the A.O. prior to approval of this Unit Agreement, and thereafter promptly after any revision or amendment.

10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto, including surface rights, which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this Unit Agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Unit Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

11. PLAN OF OPERATION. It is recognized and agreed by the parties hereto that the Unit Area is developed and productive, and only such hereto drilling as is incidental to a secondary recovery or pressure maintenance program or enhanced recovery program is contemplated.

Inasmuch as the primary purpose of this Unit Agreement is to permit the institution and consummation of a secondary recovery or pressure maintenance program or enhanced recovery program for the maximum economic production of Unitized Substances consistent with good engineering and conservation practices, Unit Operator, concurrently with the filing of this Unit Agreement for approval, shall submit to the A.O. for approval, a plan of operation for the Unitized Land, and upon approval thereof by the A.O., such plan shall constitute the future operating obligations of the Unit Operator under this Unit Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the A.O. a plan for an additional specified period of operation; said plan or plans shall be modified or supplemented when necessary to meet

changed conditions, or to protect the interest of all parties to the Unit Agreement. Reasonable diligence shall be exercised in complying with the obligations of any approved plan of operation.

Unit Operator shall have the right to inject into the Unitized Formation any substance for secondary recovery or pressure maintenance or enhanced recovery purposes in accordance with a plan of operation approved by the A.O. including the right to drill and maintain injection wells on the Unitized Land and completed in the Unitized Formation, and to use abandoned well or wells producing from the Unitized Formation for said purpose, and the parties hereto, to the extent of their rights and interests, hereby grant to the Unit Operator the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for the operation and development of the Unit Area hereunder. Unit Operator shall have free use of water from the unitized land for operations hereunder and for operations on adjacent lands except water from surface owner's and Royalty Owner's fresh water wells, private lakes, ponds, or irrigation ditches.

12. PARTICIPATION AND ALLOCATION OF PRODUCTION. Beginning at 7:00 a.m. of the effective date hereof, the Tract Participation of each Tract shall be based upon the following factors and formula:

**Unit Tract Participation Factor = (50% x (Unit Tract Acres / Total Unit Acres)) + (50% x (Unit Tract's Current Production / Total Current Unit Production))**

The figure set forth opposite each Tract in Exhibit "C" represents the Tract Participation to which such Tract is entitled if all Tracts are committed hereto and qualified as of the effective date of this Unit Agreement.

Promptly after approval of this Unit Agreement, if all Tracts are not qualified hereto, Unit Operator shall revise Exhibit "C" to show the Tracts qualified for participation under this Unit Agreement by setting forth opposite each Tract a revised tract participation therefor, which shall be calculated by using the same Tract factors and formula which were used to arrive at the Tract Participation of each tract as set out in the original Exhibit "C" but applying the same only to those Tracts which are qualified for participation as of the effective date of this Unit Agreement. Said revised Exhibit "C" shall be subject to approval by the A.O. and shall be effective as of the effective date of this Unit Agreement.

If, after the effective date of this Unit Agreement, any tract or tracts are subsequently committed hereto and qualified because of expansion of the Unit Area under Section 3, "Expansion of Unit Area", or any Tract or Tracts are subsequently qualified under the provisions of Section 5, "Tracts Qualified for Participation, " and Section 30, "Subsequent Joinder", or if any Tract is eliminated from this Unit Agreement as provided in Section 29, "Loss of Title", the schedule of participation as shown in Exhibit "C" shall be revised by the Unit Operator to show

1 the new Tract Participation of all the then qualified Tracts: and the revised Exhibit "C", upon  
2 approval by the A.O., shall govern the allocation of production from the effective date thereof  
3 until a new schedule is so approved. In any such revised Exhibit "C", pursuant to this paragraph,  
4 the Tract Participation of the previously qualified Tracts shall remain in the same ratio one to the  
5 other.

6 On the effective date of this Unit Agreement and thereafter, all Unitized Substances  
7 produced hereunder (except any part thereof used in conformity with good operating practices  
8 for drilling, operating, camp, and other production or development purposes, for pressure  
9 maintenance or secondary recovery operations or enhanced recovery operations in accordance  
10 with a plan of operation approved by the A.O., or unavoidably lost), shall be deemed to be  
11 produced from the several Tracts of Unitized Land, and for the purpose of determining any  
12 benefits accruing under this Unit Agreement each such Tract shall have allocated to it that  
13 percentage of said production equal to its Tract Participation effective hereunder during the  
14 respective period such Unitized Substances were produced, as set out in Exhibit "C".

15 If, as of the effective date hereof, any Tract is overproduced with respect to the  
16 allowables of the wells on that Tract as established by the State of Utah and the amount of over  
17 production has been sold or otherwise disposed of, such over production shall be regarded as a  
18 part of the Unitized Substances produced after the effective date hereof and shall be charged to  
19 such Tract as having been delivered to the parties entitled to Unitized Substances allocated to  
20 such Tracts.

21 The amount of Unitized Substances allocated to each Tract shall be deemed to be  
22 produced from such Tract irrespective of the location of the wells from which the same is  
23 produced and regardless of depletion of wells or Tracts. In the absence of a controlling contract  
24 or agreement to the contrary, when two or more leases or part or parts thereof, have been  
25 combined into a single Tract, the percentage participation assigned to such Tract shall for all  
26 purposes be divided among the separate leases, or part or parts thereof, which have been put  
27 into such Tract, in proportion to the number of surface acres of the leases, or part or parts  
28 thereof, contained in such Tract bears to the total surface acres contained in said Tract.

29 13. ROYALTY SETTLEMENT. The United States and all Royalty Owners who, under  
30 existing contract, are entitled to take in kind a share of the substance now unitized hereunder  
31 produced from any Tract, shall hereafter be entitled to the right to take in kind their proportionate  
32 share of the Unitized Substances allocated to such Tract, and Unit Operator shall make  
33 deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws,  
34 and regulations. Settlement for Royalty interest not taken in kind shall be made by Working  
35 Interest Owners responsible therefor under existing contracts, laws and regulations on or before

1 the last day of each month for Unitized Substances produced during the preceding calendar  
2 month: provided, however, that nothing herein contained shall operate to relieve the lessees of  
3 any land from their respective lease obligations for the payment of any royalties due under their  
4 leases.

5 If gas obtained from lands or formations not subject to this Unit Agreement is introduced  
6 into the Unitized Formation hereunder, for use in repressuring, stimulation of production, or  
7 increasing ultimate recovery, which shall be in conformity with a plan first approved by the A.O.,  
8 a like amount of gas less appropriate deduction for loss or depletion from any cause, may be  
9 withdrawn from the Unitized Formation, royalty free as to dry gas, but not as to the products  
10 extracted therefrom; provided that such withdrawal shall be at such time as may be provided in  
11 the approved plan of operations or as may otherwise be consented to by the A.O. as conforming  
12 to good petroleum engineering practice and provided further, that such right of withdrawal shall  
13 terminate on the termination of this Unit Agreement.

14 If natural gasoline, liquid petroleum gas fractions or other liquid hydrocarbon substances  
15 (herein collectively called "LPGS") which were not extracted from gas produced from the  
16 Unitized Formation are injected into the Unitized Formation, which shall be in conformity with a  
17 plan of operation first approved by the A.O., Working Interest Owners shall be entitled to  
18 recover, royalty free, part of all such "LPGS" pursuant to such conditions and formulas as may  
19 be prescribed or approved by the A.O.

20 Royalty due the United States shall be computed as provided in the operating  
21 regulations and paid in value or delivered in kind as to all Unitized Substances on the basis of  
22 the amounts thereof allocated to unitized Federal land as provided herein at the rates specified  
23 in the respective Federal leases, or at such lower rates as may be authorized by law or  
24 regulation; provided that for leases on which the royalty rate depends on the daily average  
25 production per well, said average production shall be determined in accordance with the  
26 operating regulations as though the Unitized Lands were a single consolidated lease.

27 As to non-Federal lands, any royalty or other payment which varies under the terms of  
28 the instrument creating it, according to actual production from a Tract or according to the  
29 capabilities of wells located thereon to produce, shall, on and after the effective date, be  
30 computed upon that portion of the Unitized Substances allocated to the particular Tract and not  
31 upon the actual production of oil and gas from the Tract or the capability of the well thereon to  
32 produce. If any such royalty or other payment depends on the production or pipeline runs from a  
33 well, such production or pipeline run shall be determined by dividing the Unitized Substances  
34 allocated to the Tract by the number of wells located thereon that were capable of producing or  
35 capable of being used in unit operations as a producing well or otherwise as of the effective

1 date. If any Tract has no such well located thereon as of the effective date, it shall be treated as  
2 having one well within the meaning of this Section.

3 14. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed  
4 hereto shall be paid by Working Interest Owners responsible therefor under existing contracts,  
5 laws, and regulations, provided that nothing herein contained shall operate to relieve the  
6 lessees of any land from their respective lease obligations for the payment of any rental or  
7 minimum royalty in lieu thereof due under their leases. Rental and minimum royalty for lands of  
8 the United States subject to this Unit Agreement shall be paid at the rate specified in the  
9 respective leases from the United States unless such rental or minimum royalty is waived,  
10 suspended, or reduced by law or by approval of the Secretary of the Interior, hereinafter  
11 referred to as "Secretary", or his duly authorized representative.

12 15. CONSERVATION. Operations hereunder and production of Unitized Substances  
13 shall be conducted to provide for the most economical and efficient recovery of said substances  
14 without waste, as defined by or pursuant to State or Federal law or regulation.

15 16. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to  
16 prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this  
17 Unit Agreement, or with prior consent of the A.O. pursuant to applicable regulations, pay a fair  
18 and reasonable compensatory royalty as determined by the A.O. In the event compensatory  
19 royalty is so paid, it shall be treated in the same manner as Unitized Substances.

20 17. GAUGE OF MERCHANTABLE OIL. The Unit Operator shall make a proper and  
21 timely gauge of all lease tanks and other tanks within the Unit Area and associated with the  
22 operation of Unitized Land in order to ascertain the amount of merchantable oil above the  
23 pipeline connections in such tanks at 7:00 a.m. on the effective date hereof. All such oil shall be  
24 and remain the property of the parties entitled thereto the same as if the Unit had not been  
25 formed; and such parties shall promptly remove said oil from said tanks. Any such oil not so  
26 removed shall be sold by Unit Operator for the account of parties entitled thereto, subject to the  
27 payment of all royalties, overriding royalties, production payments, and all other payments under  
28 the terms and provisions of the applicable lease, leases, or other contracts.

29 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
30 conditions, and provisions of all leases, subleases, and other contracts relating to exploration,  
31 drilling, development, or operation for oil or gas on lands committed to this Unit Agreement are  
32 hereby expressly modified and amended to the extent necessary to make the same conform to  
33 the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto  
34 hereby consent that the Secretary shall and by his approval hereof, or by the approval hereof by  
35 his duly authorized representative, does hereby establish, alter, change or revoke the drilling,

1 producing, rental, minimum royalty, and royalty requirements of Federal leases committed  
2 hereto and the regulations in respect thereto to conform said requirements to the provisions of  
3 this Unit Agreement, and, without limiting the generality of the foregoing, all leases, subleases,  
4 and contracts are particularly modified in accordance with the following:

5 (a) The development and operation of lands subject to this Unit Agreement under  
6 the terms hereof shall be deemed full performance of all obligations for development and  
7 operation with respect to each and every part of separately owned Tracts subject to this Unit  
8 Agreement, regardless of whether there is any development of any particular part of a tract of  
9 Unitized Land, notwithstanding anything to the contrary in any lease, operating agreement, or  
10 other contract by and between the parties hereto, or their respective predecessors in interest, or  
11 any of them.

12 (b) Drilling and producing operations performed hereunder upon any Tract of  
13 Unitized Land will be accepted and deemed to be performed upon and for the benefit of each  
14 and every Tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to  
15 drill or produce wells situated on the land therein embraced.

16 (c) Suspension of drilling or producing operations on all Unitized Land pursuant  
17 to direction or consent of the Secretary or his duly authorized representative shall be deemed to  
18 constitute such suspension pursuant to such direction or consent as to each and every Tract of  
19 Unitized Land.

20 (d) Each lease, sublease, or contract relating to the exploration, drilling,  
21 development, or operation for oil or gas on lands committed to this Unit Agreement which, by its  
22 terms might expire prior to the termination of this Unit Agreement, is hereby extended beyond  
23 any such term so provided therein so that it shall be continued in full force and effect for and  
24 during the term of this Unit Agreement.

25 (e) The segregation of any Federal lease committed to this Unit Agreement is  
26 governed by the following provision in the fourth paragraph of Section 17(m) of the Mineral  
27 Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal)  
28 lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part  
29 within and in part outside of the area covered by any such plan shall be segregated into  
30 separate leases as to the lands committed and the lands not committed as of the effective date  
31 of unitization; provided, however, that any such lease as to the non-unitized portion shall  
32 continue in force and effect for the term thereof but for not less than two (2) years from the date  
33 of such segregation and so long thereafter as oil or gas is produced in paying quantities".

34 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be  
35 covenants running with the land with respect to the interest of the parties hereto and their



1 successors in interest until this Unit Agreement terminates, and any grant, transfer, or  
2 conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon  
3 the assumption of all privileges and obligations hereunder by the grantee, transferee, or other  
4 successor in interest. No assignment or transfer of any Working Interest shall be binding upon  
5 Unit Operator nor shall any transfer of any Royalty Interest or other interest be binding on the  
6 Working Interest Owner responsible for payment or settlement thereof, until the first day of the  
7 calendar month after Unit Operator or responsible Working Interest Owner, as the case may be,  
8 is furnished with the original, photostat, or certified copy of the instrument of transfer.

9 20. EFFECTIVE DATE. This Unit Agreement shall become binding upon each party who  
10 executes or ratifies it as of the date of execution or ratification by such party and shall become  
11 effective as of 7:00 a.m. on the first day of the calendar month next following approval of this  
12 Unit Agreement by the Secretary of the Interior or his duly authorized delegate.

13 Unit Operator shall within thirty (30) days after the effective date of this Unit Agreement  
14 file for record in Uintah County, Utah, a copy of this Unit Agreement and a certificate to the  
15 effect that this Unit Agreement has become effective according to its terms and stating further  
16 the effective date.

17 21. TERM. The term of this Unit Agreement shall be for and during the time that Unitized  
18 Substances can be produced in quantities sufficient to pay for the cost of producing same from  
19 wells on Unitized Land and for as long thereafter as drilling, reworking, or other operations are  
20 prosecuted on Unitized Land without cessation of more than sixty (60) consecutive days, and so  
21 long thereafter as Unitized Substances can be produced as aforesaid, unless sooner terminated  
22 by the A.O. as provided in Section 8, "Successor Unit Operator", or by the Working Interest  
23 Owners as provided in Section 22, "Termination by Working Interest Owners".

24 22. TERMINATION BY WORKING INTEREST OWNERS. This Unit Agreement may be  
25 terminated at any time by Working Interest Owners owning ninety percent (90%) or more of the  
26 participation percentage in the Unitized Land, with the approval of the A.O. Notice of any such  
27 termination shall be given by the Unit Operator to all parties hereto. Upon termination of this  
28 Unit Agreement, the parties hereto shall be governed by the terms and provisions of the leases  
29 and contracts affecting the separate Tracts.

30 If not specified otherwise by the leases unitized under this Unit Agreement, the basic  
31 royalty owners hereby grant the Working Interest Owners a period of six (6) months after  
32 termination of this Unit Agreement in which to salvage, sell, distribute, or otherwise dispose of  
33 the personal property and facilities used in connection with Unit operations.

34 Unit Operator shall, within thirty (30) days after the termination this Unit Agreement has  
35 been determined, pursuant to Section 8 "Successor Unit Operator", and Section 22

1 "Termination by Working Interest Owners" hereof, file for record in the office or offices where a  
2 counterpart of this Unit Agreement is recorded, a certificate setting forth the fact of such  
3 termination and the date thereof.

4 23. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The A.O. is  
5 hereby vested with authority to alter or modify from time to time in his discretion the quantity and  
6 rate of production under this Unit Agreement when such quantity and rate is not fixed pursuant  
7 to Federal or State law or does not conform to any statewide voluntary conservation or  
8 allocation program, which is established, recognized, and generally adhered to by the majority  
9 of operators in such State, such authority being hereby limited to alteration or modification in the  
10 public interest, the purpose thereof and the public interest to be served thereby to be stated in  
11 the order of alteration or modification. Without regard to the foregoing, the A.O. is also hereby  
12 vested with authority to alter or modify from time to time in his discretion the rate of prospecting  
13 and development and the quantity and rate of production under this Unit Agreement when such  
14 alteration or modification is in the interest of attaining the conservation objectives stated in this  
15 Unit Agreement and is not in violation of any applicable Federal or State law.

16 Powers in this section vested in the A.O. shall only be exercised after notice to Unit  
17 Operator and opportunity for hearing to be held not less than fifteen (15) days from notice.

18 24. APPEARANCES. The Unit Operator shall, after notice to other parties affected, have  
19 the right to appear for and on behalf of any and all interests affected hereby before the  
20 Department of the Interior and to appeal from orders issued under the regulations of said  
21 Department or to apply for relief from any of said regulations or in any proceedings relative to  
22 operations before the Department of the Interior or any other legally constituted authority;  
23 provided, however, that any other interested party shall also have the right at his own expense  
24 to be heard in any such proceeding.

25 25. NOTICES. All notices, demands, or statements required hereunder to be given or  
26 rendered to the parties hereto shall be deemed fully given if given in writing and personally  
27 delivered to the party or sent by postpaid registered or certified mail, addressed to such party at  
28 the address such party has furnished to the party sending the notice, demand or statement.

29 26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Unit Agreement contained shall  
30 be construed as a waiver by any party hereto of the right to assert any legal or constitutional  
31 right or defense as to the validity or invalidity of any law of the State of Utah, or of the United  
32 States, or regulations issued thereunder in any way affecting such party, or as a waiver by any  
33 such party of any right beyond his or its authority to waive; provided, however, each party hereto  
34 except the United States covenants that during the existence of this Unit Agreement, such party  
35 shall not resort to any action at law or in equity to partition the Unitized Land or the facilities

1 used in the development or operation thereof and to that extent waives the benefits of all laws  
2 authorizing such partition.

3 27. UNAVOIDABLE DELAY. All obligations under this Unit Agreement, except the  
4 payment of money, shall be suspended while, but only so long as, the Unit Operator, despite the  
5 exercise of due care and diligence is prevented from complying with such obligations, in whole  
6 or in part, by strikes, acts of God, Federal, State or municipal law or agencies, unavoidable  
7 accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open  
8 market, or other matters beyond the reasonable control of the Unit Operator, whether similar to  
9 matters herein enumerated or not.

10 28. NONDISCRIMINATION. In connection with the performance of work under this Unit  
11 Agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7)  
12 inclusive, of Executive Order 11246, (30 F.R. 12319), as amended, which are hereby  
13 incorporated by reference in this Unit Agreement.

14 29. LOSS OF TITLE. In the event title to any Tract of Unitized Land shall fail and the true  
15 owner cannot be induced to join in this Unit Agreement, such Tract shall be automatically  
16 regarded as not committed hereto and there shall be such readjustment of future costs and  
17 benefits as may be required on account of the loss of such title. In the event of a dispute as to  
18 title as to any Royalty, Working Interest, or other interests subject hereto, payment or delivery  
19 on account thereof may be withheld without liability for interest until the dispute is finally settled:  
20 provided that as to Federal lands or leases, no payments of funds due the United States shall  
21 be withheld, but such funds shall be deposited as directed by the A.O. to be held as unearned  
22 money pending final settlement of the title dispute, and then applied as earned or returned in  
23 accordance with such final settlement.

24 Unit Operator as such is relieved from any responsibility for any defect or failure of any  
25 title hereunder.

26 In order to avoid title failure, which might incidentally cause the title to a Working Interest  
27 or Interests to fail, the owners of (a) the surface rights to land subject to this Unit Agreement, (b)  
28 severed minerals or Royalty Interests in said land and (c) improvements located on said lands  
29 but not utilized for Unit Operations, shall individually be responsible for the rendition and  
30 assessment, for ad valorem tax purposes, of all such property, and for payment of such taxes,  
31 except as otherwise provided in any contract or agreement between such owners and a  
32 Working Interest Owner or Owners in the Unit Operating Agreement. If any ad valorem taxes  
33 are not paid by such owners responsible therefor when due, the Unit Operator may, at any time  
34 prior to tax sale, pay the same, redeem such property and discharge such tax liens as may arise  
35 through nonpayment. In the event the Unit Operator makes any such payment or redeems any

1 such property from tax sale, the Unit Operator shall be reimbursed therefor by the Working  
2 Interest Owners in proportion to their respective percentages of Unit Participation and the Unit  
3 Operator shall withhold from the proceeds otherwise due to said delinquent taxpayer or  
4 taxpayers, an amount sufficient to defray the costs of such payment or redemption, such  
5 withholdings to be distributed among the Working Interest Owners in proportion to their  
6 respective contributions toward such payment or redemption.

7 30. SUBSEQUENT JOINDER. After the effective date of this Unit Agreement, the  
8 commitment of any interest in any tract within the Unit Area shall be upon such equitable terms  
9 as may be negotiated by Working Interest Owners and the owner of such interest. After the  
10 effective date hereof, joinder by a Royalty Owner must be consented to in writing by the  
11 Working Interest Owner committed hereto and responsible for the payment of any benefits that  
12 may accrue hereunder in behalf of such Royalty Interest. Joinder by any Royalty Owner at any  
13 time must be accompanied or preceded by appropriate joinder by the Owner of the  
14 corresponding Working Interest in order for the interest to be regarded as effectively committed.  
15 Joinder to the Unit Agreement by a Working Interest Owner at any time must be accompanied  
16 by appropriate joinder to the Unit Operating Agreement in order for the interest to be regarded  
17 as committed to this Unit Agreement. Except as may otherwise herein be provided, subsequent  
18 joinders to this Unit Agreement shall be effective as of the date of filing with the A.O. of duly  
19 executed counterparts of all or any papers necessary to establish commitment of any Tract to  
20 this Unit Agreement unless objection to such joinder is made within sixty (60) days by the A.O.

21 31. COUNTERPARTS. This Unit Agreement may be executed in any number of  
22 counterparts, no one of which needs to be executed by all parties, or may be ratified or  
23 consented to by separate instrument in writing specifically referring hereto and shall be binding  
24 upon all those parties who have executed such a counterpart, ratification or consent hereto with  
25 the same force and effect as if all such parties had signed the same document and regardless  
26 of whether or not it is executed by all other parties owning or claiming an interest in the lands  
27 within the above described Unit Area.

28 In the event any of the parties hereto owns both Working Interests and Royalty Interests,  
29 as such interests are shown on Exhibit "B", it shall not be necessary for such party to execute  
30 this Unit Agreement in both capacities in order to commit both classes of interests. Execution  
31 hereof by any such party in one capacity shall also constitute execution in the other capacity,  
32 provided said interest owner has also executed the Unit Operating Agreement in its capacity as  
33 a Working Interest Owner.

1           32. ROYALTY OWNERS' TAXES. Unless otherwise specifically provided by law, each  
2 Royalty Owner shall render and pay all ad valorem taxes, including ad valorem taxes measured  
3 by production levied against its royalty or mineral interest. Unit Operator shall pay, as an agent  
4 for the Working Interest Owners, each Royalty Owner's share of all taxes other than ad valorem  
5 taxes levied on or measured by the Unitized Substances in and under, or that may be produced,  
6 gathered and sold from the lands subject hereto, or upon the proceeds or net proceeds derived  
7 therefrom, and shall pay ad valorem taxes to the extent that the same are made payable by law  
8 by any Working Interest Owner. Each Working Interest Owner shall reimburse Unit Operator for  
9 taxes so paid on its behalf and such Working Interest Owner shall make proportionate  
10 deductions of said amounts in settling with its Royalty Owners in each separately owned Tract.  
11 No such taxes shall be charged to the United States or the State of Utah, or to any lessor who  
12 has a contract with his lessee which requires the lessee to pay such taxes.

13           33. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is  
14 that of independent contractors and nothing in this Unit Agreement contained, expressed, or  
15 implied, nor any operations conducted hereunder, shall create or be deemed to have created a  
16 partnership or association between the parties hereto or any of them.

17           34. BORDER AGREEMENTS. Unit Operator, subject to the provisions of the Unit  
18 Operating Agreement and subject to approval of the A.O., may enter into an agreement or  
19 agreements with the Working Interest Owners of adjacent lands with respect to operations  
20 designed to increase the ultimate recovery of oil and/or gas from the Unitized Formation,  
21 prevent waste, and protect the correlative rights of the parties.

22           35. CORRECTION OF ERRORS. It is hereby agreed by all parties to this Unit  
23 Agreement that Unit Operator is empowered to correct any mathematical or clerical errors which  
24 may exist in the pertinent Exhibits to this Unit Agreement; provided, however, that correction of  
25 any error other than mathematical or clerical shall be made by the Unit Operator only after first  
26 having obtained approval of Working Interest Owners and the A.O. If any such corrections are  
27 made, Unit Operator shall file not less than six, (6) copies of the corrected pages of this Unit  
28 Agreement or of the Exhibits hereto with the A.O. Unit Operator shall also provide, in  
29 conformance with Section 25, "Notices", such corrected pages to the parties hereto.

30           36. SPECIAL SURFACE STIPULATIONS. Nothing in this Unit Agreement shall modify  
31 the special Federal Lease stipulations attached to the individual Federal Oil and Gas Leases.  
32  
33

1           37. UTAH STATE LAND PROVISION. **As reflected on Exhibit "B," there are**  
2 **currently no public lands of the State of Utah included within the unitized lands. In the**  
3 **event there is an expansion of the unitized lands pursuant to Section 3 which includes**  
4 **public lands of the State of Utah, the Unit Operator agrees to obtain** ~~Certain of the~~  
5 ~~unitized lands are public lands of the State of Utah, and in connection~~ the approval of this  
6 agreement by the School and Institution Trust Land Administration of said State pursuant to  
7 applicable State Laws and Federal regulations, it is agreed that there shall be filed with the  
8 Director of Public Lands of said State:

9           (a) Two copies of the complete Unit Agreement and two copies of any revised  
10 Exhibits "A" "B" and "C" concurrently with the filing thereof with the A.O. pursuant to Section 2  
11 hereof.

12           (b) Two copies of any notice of the proposed expansion or contraction of the Unit  
13 Area required to be delivered to the A.O. pursuant to Section 2 hereof.

14           (c) Two copies of any Unit Operating Agreement executed pursuant to Section 9  
15 hereof.

16           (d) A copy of any proposed Plan of Development or modification thereof which is  
17 filed with the A.O. under section 11 hereof.

18           (e) A copy of all instruments of subsequent joinder executed under Section 30  
19 hereof.

20 It is agreed further that **in the event public lands of the State of Utah are included in the**  
21 **unitized lands the following terms will apply:**

22           (1) All valid, pertinent and reasonable regulations hereafter issued governing drilling and  
23 producing operations on non-Federal lands which are not inconsistent with the terms hereof or  
24 the laws of the State of Utah are hereby accepted and made a part of this agreement.

25           (2) Nothing in this agreement contained shall relieve lessees of the public lands of the  
26 State of Utah from their obligation to pay rentals and royalties with respect to unitized  
27 substances allocated to such lands hereunder, at the rates specified in their respective leases.

28           (3) In the event that a title dispute arises as to the State lands or leases, no payments of  
29 funds due the State of Utah should be withheld, but such funds shall be deposited as directed  
30 by the Director of Public Lands to be held as unearned money pending final settlement of the  
31 title dispute, and then applied as earned or returned in accordance with such final settlement.

32           Each party to this agreement holding any lease or leases of public lands from the State  
33 of Utah subject to this agreement, or holding any interest in or under such lease or leases or in  
34 the production from the lands covered thereby, agrees that said School and Institutional Trust  
35 Land Administration may, and by its approval hereof, does hereby alter, change, modify, or

revoke the drilling, producing and royalty requirements of such lease or leases, and the regulations in respect thereto, to conform the provisions of said lease or leases to the provisions of this agreement. Such parties and said Administration further agree that, except as otherwise expressly provided in this agreement, no such leases shall be deemed to terminate or expire so long as it shall remain committed hereto. Notwithstanding anything to the contrary in Section 18 hereof contained, should any of the public lands of the State of Utah cease to be committed to this agreement, such lands shall thereafter be free from the effect of this agreement unless and until such lands are expressly recommitted to this agreement pursuant to Section 30 hereof, with the approval of the School and Institutional Trust Land Administration.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

### UNIT OPERATOR AND 100% WORKING INTEREST OWNER

**QEP Energy Company**

**BY:** \_\_\_\_\_

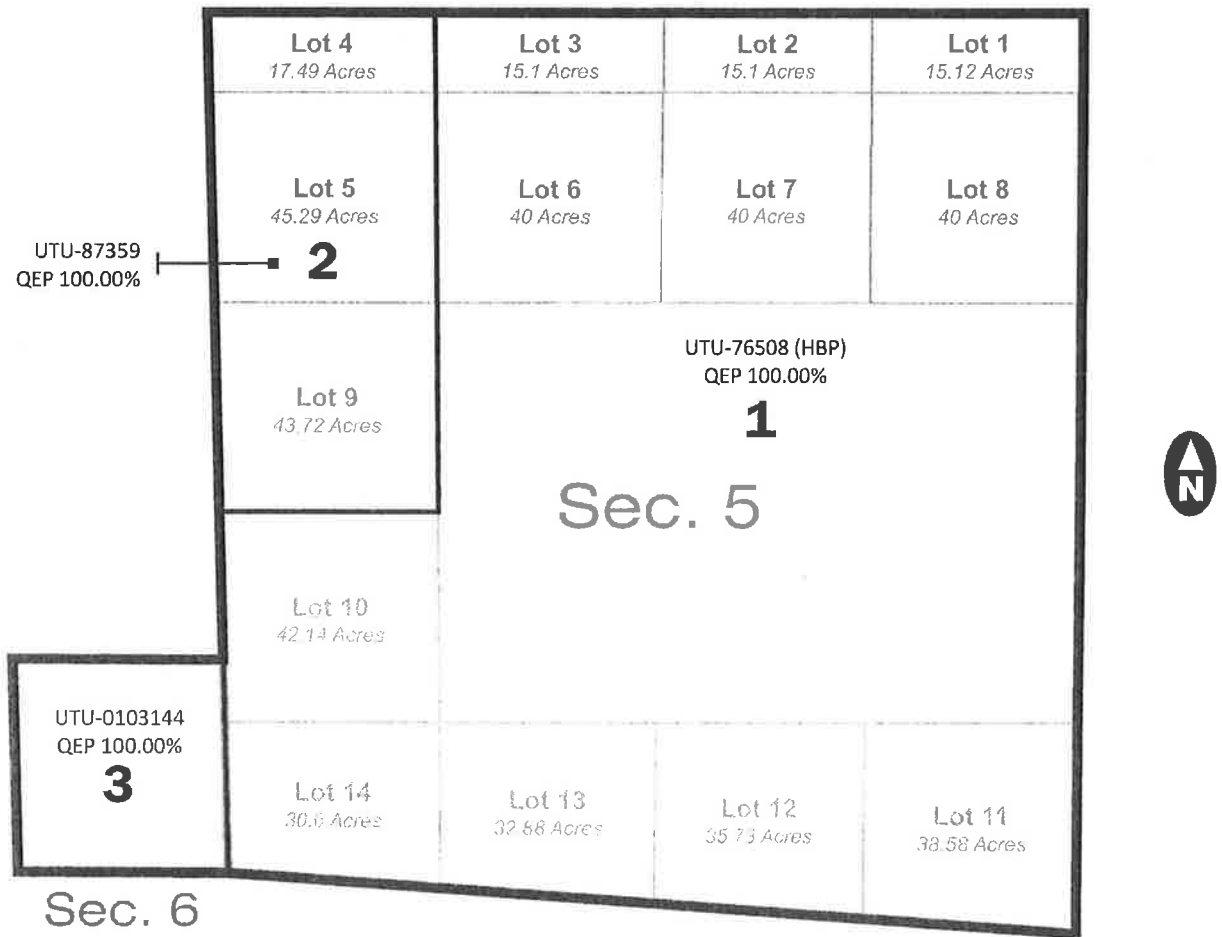
**J. B. Neese, Executive Vice President**

**Execution Date:** \_\_\_\_\_, 2011

# EXHIBIT "A"

Attached to and made a part of the Horse Secondary Recovery Unit Agreement

## T8S-R22E



	Acreage	% of Total
Federal Lands (BLM)	731.75	100.00%
State Lands	0.00	0.00%
Indian Lands	0.00	0.00%
Patented Lands	0.00	0.00%
<b>TOTAL</b>	<b>731.75</b>	<b>100.00%</b>

Unit tract number

**3**

Tract boundary

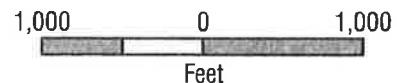
Unit boundary (proposed)



QEP Energy Company

## Horse Secondary Recovery Unit

Uintah County, Utah





**EXHIBIT "B"**  
Attached to and made a part of the Horse Secondary Recovery Unit Agreement

**HORSE SECONDARY RECOVER UNIT**  
**UNITAH COUNTY, UTAH**

Tract No.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1	T8S-R22E, SLB&M Sec. 5: Lots 1 (15.12), 2 (15.10), 3 (15.10), 6 (40.00), 7 (40.00), 8 (40.00), 10 (42.14), 11 (38.58), 12 (35.73), 13 (32.88), 14 (30.60), S/2NE, SENW, NESW, N/2SE	585.25	UTU-76508 HBP	U.S.A. 100%	QEP Energy Company 100%	Medallion Exploration 5.00000%	QEP Energy Company 100%
2	T8S-R22E, SLB&M Sec. 5: Lots 4 (17.49), 5 (45.29), 9(43.72)	106.50	UTU-87359 Expires: 9/30/2019	U.S.A. 100%	QEP Energy Company 100%	N/A 0.00000%	QEP Energy Company 100%
3	T8S-R22E, SLB&M Sec. 6: SESE	40.00	UTU-0103144 Expires: 5/24/2011	U.S.A. 100%	QEP Energy Company 100%	H. P. Macauley, etal. 1.00000%	QEP Energy Company 100%
<b>3 FEDERAL TRACTS TOTALING 731.75 ACRES OR 100% OF UNIT AREA</b>							

EXHIBIT "C"

Attached to and made a part of the Horse Secondary Recovery Unit Agreement

HORSE SECONDARY RECOVERY UNIT  
UINTAH COUNTY, UTAH

PARTICIPATION FORMULA:

Unit Tract Participation Factor =  $(50\% \times (\text{Unit Tract Acres} / \text{Total Unit Acres})) +$   
 $(50\% \times (\text{Unit Tract's Current Production} / \text{Total Current Unit Production}))$

Total Current (May 2010 – October 2010) Unit Production: 15057.12 BO

Tract 1 TPF =  $(0.5 \times (585.25/731.75)) + (0.5 \times (15057.12/15057.12)) = 89.98975\%$

Tract 2 TPF =  $(0.5 \times (106.50/731.75)) + (0.5 \times (0.0/15057.12)) = 7.27708\%$

Tract 3 TPF =  $(0.5 \times (40.00/731.75)) + (0.5 \times (0.0/15057.12)) = 2.73317\%$

TRACT NUMBER	TRACT PARTICIPATION
1	89.98975%
2	7.27708%
3	<u>2.73317%</u>
TOTAL	100.00000%

EXHIBIT "D"

Attached to and made a part of the Horse Secondary Recovery Unit Agreement

HORSE SECONDARY RECOVERY UNIT  
UINTAH COUNTY, UTAH

WORKING INTEREST PARTICIPATION

WORKING INTEREST OWNER	INTEREST PARTICIPATION
QEP ENERGY COMPANY	<u>100.000000%</u>
TOTAL	100.000000%